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THREE ARRESTED IN SUREWEST FRAUD

SACRAMENTO - United States Attorney McGregor W. Scott, FBI Special Agent in Charge Keith Slotter, and IRS Special Agent in Charge Victor S.O. Song announced today that arrests have been made in connection with the misappropriation of \$2 million from SureWest Communications, a publically traded company based in Roseville, California.

Henry M. Kaiser, 59, of Piedmont; Larry J. Wells, 60, of Pebble Beach; and Jeffrey R. Wells, 31, of Roseville, were arrested earlier this morning on a complaint charging them with wire fraud, money laundering and conspiracy in connection with the misappropriated money. According to the complaint, Larry J. Wells and Henry M. Kaiser owned and operated a venture capital company called Quivira Ventures. Jeffrey Wells, the son of Larry Wells, was a senior treasury analyst for SureWest Communications. Beginning in January, 2003, Jeffrey Wells wire transferred SureWest funds to his father's company in amounts of up to \$25 million. Kaiser and Larry Wells then transferred the various funds to Quivira Ventures accounts, including accounts in Europe. The purpose of these transfers was so that Quivira could demonstrate to potential investors that it had sufficient funds on deposit to be a venture capital firm and thereby attract new investors. The complaint goes on to allege that in order to cover up the scheme, Quivira would periodically return the misappropriated funds to SureWest so that SureWest auditors would not discover that the funds were missing. In December, 2003, however, Quivira was only able to return \$23 million of the outstanding \$25 million in its possession.

This case was investigated by the FBI and IRS Criminal Investigations with assistance from the U.S. Securities and Exchange Commission.

The defendants are expected to be arraigned before United States Magistrate Judge Peter A. Nowinski in U.S. District Court in Sacramento 2:00 p.m. According to USA Scott, if convicted, each defendant faces a maximum penalty of 35 years in prison. A complaint charging a defendant with a crime is only an accusation, and a defendant is presumed innocent unless and until proven guilty.

FBI SAC Keith Slotter - "This is another instance of scandal affecting corporate America. This is a national problem which costs shareholders billions of dollars each year. The FBI is pleased to have interceded in this fraud before further financial damage was done to any other corporations."

IRS SAC Victor S. O. Song - "Corporate fraud is an emphasis area for the IRS and the country. This investigation is very much a joint effort by law enforcement working toward ending the manipulation of financial reporting that the public relies on."

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